Subsea 7 Q1 2021 Results Presentation

Thursday, 29th April 2021

Welcome and Disclaimer

Katherine Tonks

Director of Investor Relations, Subsea 7

Welcome everybody, with me on the call today are John Evans, our CEO and Ricardo Rosa, our CFO. The results press release is available to download on our website, along with the presentation slides that we will be referring to during today's call. May I remind you that this call includes forward-looking statements that reflect our current views and are subject to risks, uncertainties and assumptions. Similar wording is included in our press release.

I will now turn you over to John.

Highlights

John Evans

Chief Executive Officer, Subsea 7

First quarter 2021 results

Thank you Katherine and good afternoon everyone. I will start with highlights from the first quarter, before passing over to Ricardo to cover the financial results.

Turning to slide four, Subsea 7 delivered solid revenue and EBITDA growth in the first quarter and made progress on its strategic objectives. Revenues improved 33%, year on year, to $1 billion, driven by both Renewables and Subsea and Conventional, while our EBITDA margin improved slightly, to 10%.

At the end of the quarter, our balance sheet remained strong, with $527 million of cash and equivalents and net cash of $74 million. We announced two exciting projects this quarter. First, our entry to the carbon capture market, with the award that's part of the Northern Lights project and secondly, a new joint venture in floating wind.

First quarter operational highlights

Turning to slide five and our operational highlights, during the first quarter we completed the Zinia project and restarted work on the Barossa project. Seven Eagle finished our scope of work on the West Barracouta work in Australia. Equipment fabrication continued for the Sangomar project in Senegal.

In the UK, Seven Atlantic executed our scope of work on the Pierce project. Whilst in the Gulf of Mexico, Seven Navica, Pegasus, Oceans and Pacific continued offshore activities on Ichalkil and Mad Dog 2. The PLSVs achieved good utilisation, despite the challenges of COVID-19 in Brazil.

In Saudi Arabia, Seven Champion recommenced installation of the 28 jackets and three gas PDM projects and preparations continued for Berri-Zuluf.

After our hiatus in offshore activity in Saudi Arabia during 2020, we expect the Seven Champion to be busy throughout 2021.

The Renewables business unit continued to make good progress in the fabrication of jackets and inner array cables for Seagreen. But Seaway Yudin remained on standby for most of the quarter due to weather in Taiwan, while Seaway Aimery and Seaway Moxie were in transit to Europe for Hornsea 2.

As we flagged in the last quarter, we experienced a seasonal swing in vessel utilisation this quarter, with several of our global enablers in transit. Seven Vega also incurred downtime for repairs after storm damage and only returned to full operation in mid-April.

The delay in executing BP Manuel has had a knock-on effect on the Seven Vega's other projects but these have largely been accommodated through the reallocation of work to our other pipe-lay vessels.

First quarter 2021 backlog

Turning to slide six, we ended the first quarter with a backlog of $6 billion, up 6% from the first quarter last year and broadly in line with the year-end 2020 position.

During the quarter, we announced the award of SLGC in Angola and Northern Lights in Norway, as well as an order for an unnamed project within Subsea and Conventional.

Including unannounced awards and escalations, we achieved a book-to-bill ratio of 0.8 times, a good outcome for a relatively quiet quarter.

We have good visibility on revenue for the remainder of 2021, with $3.4 billion still to be executed, whilst our 2022 backlog of $1.6 billion is in line with the equivalent level reported at the same point in 2020 and 2019.

Now I will pass over to Ricardo to run through the financial results in more detail.

Financial Results

Ricardo Rosa

Chief Financial Officer, Subsea 7

Q1 2021: income statement summary

Thank you, John and good afternoon everyone. Slide seven shows our income statement highlights. First quarter revenue was $1 billion, 33% higher than the prior-year period, reflecting higher levels of activity in both the Subsea and Conventional and Renewables business units. Adjusted EBITDA of $102 million after incurring net costs associated with COVID-19 of approximately $9 million, was up 50% year on year. This resulted in an adjusted EBITDA margin of 10%, a modest improvement on the prior-year period margin of 9%.

Net income was $1 million, equivalent to diluted earnings per share of $0.01.

Q1 2021: supplementary details

Turning to slide eight for additional details of the income statement, administrative expenses improved by $7 million against the prior year, reflecting progress in the implementation of our cost reduction plan.

Depreciation and amortisation decreased by $6 million compared to the same period last year, reflecting the impact of reduced vessel lease commitments. The net operating loss of $9 million in the first quarter included $9 million in net COVID costs and a credit of $18 million mainly related to downward revisions to the restructuring costs of the group's resizing programme.

Finally, other gains and losses of $16 million included net foreign currency gains of $9 million.

Q1 2021: business unit performance

On slide nine, we summarise the performance of our three business units. The Subsea and Conventional business unit, which encompasses all our activities in oil and gas, generated $735 million of revenue in the first quarter, 10% higher than the prior-year period. This was mainly due to higher activity in the Gulf of Mexico, Brazil and Saudi Arabia.

As John mentioned, four vessels were active in offshore phases of projects in the Gulf of Mexico, while we had good utilisation of the PLSVs in Brazil. The quarter benefited from higher activity on three of our contracts in Saudi Arabia.

We also recorded some progress on the Lingshui project in China, as Seven Borealis mobilised to the region.

Renewables revenue was $241 million, a near-fourfold increase compared to the prior year, mainly driven by the ramp-up in activity related to the Seagreen project.

Our Corporate business unit, which now includes Xodus and 4Subsea, our autonomous subsidiaries which provide specialised engineering services, generated $20 million in revenue.

Subsea and Conventional recorded a $7 million net operating loss in the quarter, compared to a loss of $28 million in the first quarter of 2020, reflecting increased conventional activity in Saudi Arabia and the completion of the Zinia project. This was offset by high levels of transit time for the global enabler vessels.

The net operating loss of our Renewables business unit was $20 million, in line with the first quarter of 2020. Progress on Seagreen continued as planned but was offset by bad weather affecting Seaway Yudin in Taiwan, Seaway Strashnov undergoing maintenance in shipyard and the transit of both Seaway Aimery and Seaway Moxie to the North Sea.

In the Corporate business unit, net operating income of $18 million reflected the $18 million credit relating to the resizing programme I mentioned when discussing the previous slide.

Q1 2021: cash flow

Slide ten shows our cash flow waterfall chart for the quarter. Net cash generated from operating activities was $71 million, despite a $25 million adverse movement in working capital, driven by a combination of reduced operating liabilities and a minor increase in operating receivables. There has been no deterioration, at this juncture, in client payments.

Our capital expenditure was $24 million, including payments related to the conversion of Seaway Phoenix, dry-docking costs associated with the Seven Falcon and continued investment in the group's digitalisation programme.

At the end of the quarter, we had $527 million in cash and cash equivalents, an increase of $15 million from the end of 2020. Our net cash position improved to $74 million, including lease liabilities of $251 million.

Capital allocation framework

Our capital allocation strategy remains unchanged and you are familiar with our three priorities: reinvesting in the business, protecting the balance sheet and returning excess cash to shareholders.

After approval from our shareholders at our EGM held on 14th April, the board reaffirmed its commitment to returning excess cash to shareholders by extending the authorisation to repurchase shares until April 2023. $190 million of the current $200 million programme is outstanding.

Financial guidance: unchanged

To conclude, slide 12 shows our guidance for the full year. Guidance for 2021 remains largely unchanged since the last update in February. Subject to the impact of COVID-19, we continue to anticipate revenue and adjusted EBITDA to be above 2020 levels, with positive net operating income.

The financial impact of COVID-19, including the rate of recoveries from clients, remains very difficult to predict. The operational challenges have not diminished since 2020 and it is possible that, going forward, the quarterly charge could revert to levels recorded in Q2 and Q3 last year. We have made a minor adjustment to our guided tax charge range, which has been revised upward $10 million, mainly to reflect increased tax burdens in certain jurisdictions.

I will now pass you back to John.

Outlook

John Evans

Chief Executive Officer, Subsea 7

The Subsea 7 strategy

Thank you, Ricardo. On slide 13, we revisit the summary of our two-pronged strategy, comprising Subsea Field of the Future: Systems and Delivery and a Proactive Participation in the Energy Transition. Today we will take a closer look at the progress we have made in the first quarter in emerging energy and in renewables.

Energy transition: emerging energy

Turning to slide 14, we were very pleased to win our first carbon capture award during the quarter, a part of Equinor's Northern Lights project in Norway. Subsea 7 will be responsible for the engineering, fabrication and installation of a pipeline running 100 kilometres from shore to the offshore field, where carbon dioxide emitted by cement and waste-to-energy operations will be permanently sequestrated.

The project plans have an initial capacity of up to 1.5 million tonnes of CO_2 per year and it will be operational in 2024. The carbon capture market is expected to grow significantly in the coming years as governments increase their targets to cut CO_2 emissions. We are well placed to seize the opportunities that this will bring.

Energy Transition: Renewables

Moving to slide 15 and the latest progress in our Renewables strategy: during the quarter we announced a new joint venture with Simply Blue Energy for the Salamander floating offshore wind project in Scotland. Subsea 7 has taken a minority stake in this pre-commercial, 200-megawatt project and will bring to the joint venture its expertise in delivering offshore energy projects and its knowledge of the Scottish supply chain. Simply Blue Energy will bring its floating wind development experience from projects in the Celtic Sea.

Xodus has been supporting the project from inception and will continue to work with the project to deliver the concept in readiness for acquiring a lease from Crown Estate Scotland.

This is our third involvement with a floating wind project, after Hywind Scotland and Hywind Tampen. It will help ensure that Subsea 7 develops a strong position from which to capture a share of this promising long-term growth market.

Outlook: global prospects

On slide 16 we have a view of the outlook for prospects in the coming 12 months. The level of tendering activity has improved during the quarter, although it remains focused on the three key regions with advantaged economics: Brazil, Gulf of Mexico and Norway.

The number of prospects in Brazil has increased, with Mero 3, Mero 4, Búzios 6, Búzios 7 and Búzios 8, BMC-33, Gato do Mato and Lapa Southwest all expected to be bid in the next year.

In addition, we expect a tender for the various packages of Petrobras's rigid riser replacement programme, whilst our tender for the PLSV contracts has already been submitted.

We continue to expect the conversion of our FEED contract on Bacalhau to full EPIC by mid-year, subject to FID by the client.

In Norway, we have increased the size of our early engagement team to handle the high levels of FEED work. We anticipate that this will lead to tenders for EPC contracts in 2022, as clients take advantage of the government's tax incentives for new developments. The prospects include a portfolio of projects for Aker BP, for which we would be the preferred supplier.

In other areas of the world, the prospects remain patchy, but we have seen some slight improvement in Saudi Arabia. Having restarted offshore activities there, new prospects, such as Zuluf, have emerged.

In Renewables, we are seeing good long-term opportunities in Europe and Asia and the tendering for projects in the US market is now active. We anticipate these to be awarded to the industry from late 2021 onwards.

Summary: delivering on a diversified energy services strategy

To conclude, we will turn to slide 17. After the first three months of the year, Subsea 7 remains in a strong position, with a robust backlog of $6 billion and net cash on the balance sheet. The number of prospects in the oil and gas market is picking up in key regions, improving the outlook for offshore activity from late 2023 onwards. In the interim period, our cost reduction plan is designed to optimise our fleet utilisation. We are also actively pursuing a number of offshore wind prospects, including those in the US.

Overall, our strategy, to be a market-leading diversified energy services company, leaves us well positioned to capture recovery in the oil and gas market. And in parallel, we will continue to build on our strong position in the high-growth, fixed and floating wind markets, as well as the carbon capture market.

Now we will be happy to take your questions.

Q&A

Michael Alsford (Citi): Hi there, good afternoon. Thanks for taking my questions. I have a couple, if I could, please? Just firstly, on vessel utilisation, clearly you commented on the fact that there were a number of vessels that were in transit and there were a couple of operational issues. Can you talk a little bit more about how you see vessel utilisation trending in the coming quarters. Can you elaborate a little bit more on what you are doing, from the cost side, to reduce the fleet and manage the utilisation while you are waiting for the award inflow to come through and more activity, I guess, in 2023?

Then, secondly, just on the treatment of the $18 million in Q1, could you just talk a little bit more about exactly what that relates to? Thank you.

John Evans: Thank you, Michael. I will take the first and I will ask Ricardo to take the $18 million credit question. As we mentioned, a lot of our global enablers were in transit during the quarter to position themselves for this year's campaigns, but we do expect the utilisation to pick up in quarter two and quarter three. As we also mentioned, the Vega had to do some repairs in the first quarter, so we have reallocated some of its project activities onto some of our other reelers. So, again, we are seeing a higher level of utilisation on the reel pipe-lay vessels this year as well.

So, I think, as we normally see, the first quarter was relatively quiet. It is picking up, as we expect. We are pretty clear we have all the work we need to do this year. It is now about liquidating the work that we have this year.

We do see, though, that the lack of awards in 2020 and early 2021 will need to mean that we will continue to have to reshape the fleet, going into 2023. So, at the end of the season, we will again shape the fleet to get it to be the right size and scale into 2022 and into 2023. Then, as I mentioned, we expect to see these awards that will be in the market in Q2, Q3 and Q4 this year leading to quite significant uptick in the work in mid-2023 onwards.

I will ask Ricardo to talk about the make up of the $18 million credit.

Ricardo Rosa: Good afternoon, Michael. Consistent with our approach in 2020, we have commented on all adjustments to the restructuring reserve which we took in Q2 last year. We have always commented on those adjustments within the interim management reports that support the press release.

In Q1, we benefited from two adjustments to the reserves. The first was a downward revision to our redundancy costs after reassessing our resource needs, something we have been doing every quarter. That was about $4 million.

The second item was the unexpected payment of a client receivable that has been outstanding for several years. That was approximately $14 million. I hope that clarifies.

Michael Alsford: That helps. Thanks Ricardo and thanks John.

Frederik Lunde (Carnegie): Hi, I was wondering if you could comment on how you see 2022 shaping up. Obviously backlog coverage has improved but there is still there the question of how incoming orders will impact utilisation next year, you alluded to late 2023 as more the base case.

John Evans: Yeah, thank you Frederick. For us, as I mentioned in my prepared comments, as we stand today, we have $1.9 billion for 2022. We had $1.9 billion of work on the books at this time last year and the year before, although the ratio between Renewables and Subsea and Conventional is slightly different. So I think, for us, we expect to see that we will be building backlog during this year. However, a lot of that backlog will be for work that will go offshore in 2023+. Bacalhau is a 2023 project offshore. We would expect Scarborough, which is a 2023-2024 project. Barossa, which we have just taken back through FID with our client and is on our books now, will be also late 2023-2024.

So the reason we are flexing our fleet is just to get the size right for 2022 and be ready then to expand it back out again as we pick up in 2023. So I think our backlog coverage overall will be in a good place at the end of the year and we don't see any real change. And as I talked in outlook, we can see quite an acceleration of number of prospects in Brazil and we see that Norway will also be pushing ahead.

So we expect to see backlog building up and let's see how 2022 plays out in the next few quarters.

Frederik Lunde: Okay, thank you.

Amy Wong (UBS): Hi, good afternoon. A couple of questions from me, please. The first one is just bigger picture, on your higher tendering levels that you are seeing, particularly in your oil and gas business. What are you seeing in terms of competitive behaviour? How many of your competitors are tendering for these projects? Help us understand how that compares to, maybe, the pre-pandemic levels. Thank you.

John Evans: Thank you, Amy. I think what we are seeing is that certainly the flow of opportunities in Brazil is growing, which is a very positive sign. I read the list of all the bids that we expect to see in the next 12 months and in our discussions with Petrobras, there is another group of projects to come behind those as well.

As you know, in Brazil, it is an open tendering type environment and we would expect to see the usual suspects on those bids. However, these are major, major projects. A Mero 3 and a Mero 4 are pretty much identical in size, so each of these projects will utilise 6–8 months of a pipe-layer. So we are quite excited by what we are seeing.

The other thing that is very interesting is a riser replacement bid, which has come out already this quarter. That is to replace some flexibles, which are failing, with steel risers. There is more than one of those packages due to be bid over the next two years. The PLSV renewal also came out quicker than most of us saw. So I think we will see in Brazil ourselves and the usual two suspects [competing] for that list.

In terms of Norway, we feel in a strong position. We are the market-leader in Norway for that work. We are in good dialogues with our main clients in Norway. As I mentioned in my prepared remarks, Aker BP appear to have a very ambitious slate of projects that they would like to try to get sanctioned by the end of 2022. Again, we are part of the alliance that does all of Aker BP's work. So, again, we are feeling strong, well-positioned on those.

The last area we do well is the Gulf of Mexico. In the last few years, we have done over 50% of the work in the Gulf of Mexico in the SURF world. We are feeling very strong there as well.

What has been very good is that the recovering markets are areas that we are very well positioned in. So we remain optimistic that we will always get our fair share of the market there. This bodes well for late 2023, 2024 and 2025. Really just trying to work out how all this will fit together is on our minds at this stage.

We have priced Mero 3. The PLSVs are priced. We will see how the market reacts and who wins the different packages associated with that. We will see then the other packages, such as Búzios 7 and the riser package going in this quarter and then a series of other bids going in, in Brazil.

Norway is slightly different. Most clients are doing early-engagement work to optimise the fields, the designs, the layouts, the cost efficiency of those projects. We would expect those to go to sanction in 2022.

Amy Wong: That is very good colour. Thank you very much for that. A quick follow-up, if I may? Going back to your Corporate division, there is the $18 million credit in there. My question is: if you disregard the credit, it still suggests that your Corporate division was break even in the quarter. That compares to a normal, underlying, usually mid-to-high-single-digit Corporate loss, or expense, in that division. Could we read that as improvement in your Xodus and 4Subsea businesses? How should we interpret that break-even underlying result?

John Evans: Amy, I'll ask Ricardo to answer that.

Ricardo Rosa: Hello Amy. As you know, we have reorganised our business units such that Xodus and 4Subsea are now included in the Corporate business unit and these autonomous subsidiaries are inherently profitable and do make a contribution. However, I would warn you that the Corporate activities will also include restructuring provisions and adjustments, as and when they occur, potentially including impairments, as well as differentials between allocated costs and underlying costs of our Corporate overhead. So please do not assume that the profitability, or lack of it, within Corporate is attributable to the two subsidiaries. They are just a part of a bigger equation.

John Evans: Amy, just to pick up on what Ricardo said there, the reason we have put them into Corporate is that those two divisions work equally across our renewables business and our oil and gas business. They are both growing, they are both expanding. We are hiring people in both areas. They provide some fantastic insights into how these markets are developing.

As I mentioned in my prepared remarks, the Salamander project and our discussions with Simple Blue started through work that Xodus had done for that developer. So, again, these are very good, profitable businesses for us and we expect quite a bit of growth in those sectors over the next few years.

Amy Wong: Thank you very much for that.

Nick Konstantakis (Exane): Hi guys, thanks for taking my questions, a few, if I could, please. Starting with the PLSV [renewal]s, we have seen the different categories and the different rates. It is kind of a complicated process. Could you just explain to us, if you had any more discussions with Petrobras, how many vessels they want from each category. I guess, to go directly to the question: what would be your expectations of how many vessels you would keep in the country in the future?

Secondly, on CCS, congrats on the Northern Lights award. I was wondering if you have any addressable market estimates for us, considering the growth that we are seeing there?

If I can squeeze a last one through, apologies if you have talked about this before, around Salamander and the equity stake, is that something you would like to keep doing, going forward? Do you think it brings something, in terms of you securing some work? Would you be looking to farm down before the start-up of a project, once it is de-risked? Thank you.

John Evans: I will take Salamander first and then I will answer your other two questions. Yes, the intention is that there will be a farm-down on that before it sanctions in 2025. It goes for its CFD in 2025. It is a new sector, it is new area for the industry. It is also to work with a developer such as Simply Blue, who have a successful track record on their other projects in floating wind, to understand the economic dynamics and the development dynamics that come there. These include some of the elements like concept selection, which will come later. This is so we can understand the moving parts of the business because, if we intend to grow in that business, we need to understand that. However, the aim would be that there would be a farm-down in that before it finally sanctions.

In carbon capture and storage, I think it is early days. However, we were doing a review internally earlier this week on the UK government's plans for carbon capture. You can see, for example, the UK, which is one of the more proactive governments, moving ahead with carbon capture plans. There are regional plans around Humberside, Teeside, the north west and South Wales for government to spend money on reducing carbon emissions there. There are projects around that area which will need an infrastructure offshore, similar to a Northern Lights-type project.

The world will go that way, more carbon will be captured, more carbon will be sequestrated offshore. We do not have a fixed market in mind but being a first mover and involved in these projects, you are in the ecosystem with the carbon capture technology that is fitted onshore. You are working with the clients on the reservoir and everything offshore. You are part of that system. That is what this is about, for us, at this point: to become knowledgeable and a relevant provider of services there.

However, it has been fascinating to look at the UK market and how that fits together. Again, market size will be developed.

Lastly, on the PLSVs, you are right to say the bid is complex. You try bidding it! It was complex but we did it. I think that it is fair to say that Petrobras have not declared how many ships they want in each category. There are five categories, as you know, at public opening and we know where our ships are in each of those categories. We are very comfortable with our bids and we expect that Petrobras, over the next 6–8 weeks will make their decisions. We would expect an award either late Q2 or early Q3 on that. So that is all I can say at this point.

Nick Konstantakis: Thank you.

Vlad Sergievskii (Bank of America): Yes, hi gentlemen. Thanks for taking my questions. Just one, on the order intake. 0.8 times book-to-bill in Q1 and you are forecasting an increase in tendering activity for the rest of the year. Is it feasible to achieve one-times book-to-bill or above for this year?

That is the first one. The second one, on wind profitability: a bit of a setback in Q1 compared to the second half of last year. In light of that, are you still expecting to make progress this year in the direction of your 10% margin target for wind? Thank you.

John Evans: Thank you Vlad and two very good questions. Renewables in Q1 was really about the fact that most of our assets were not working in Q1. Our two cable-layers were returning from Taiwan to Europe to be ready for Hornsea 2.

Seaway Yudin stood-by on weather. We are now working in a weather window which we had not contracted with originally and we are in discussions with our clients on that. Ourselves and most of the other contractors did very little work in Taiwan through a very rough winter there. Lastly, then, Seaway Strashnov was on maintenance. So, really, the drag in that period was about the four assets not getting many recoveries.

Seagreen, though, has gone very well, continues to do well and is profitable. This week we start on Hornsea 2. Our ships will be laying cables and they are pretty well full for the rest of the year. We are seeing the weather start to improve, so we expect Seaway Yudin to be working in Taiwan for a part of this year. Then Seaway Strashnov will start its campaigns in Europe quite soon. The first offshore phase of Seagreen will be the back end of this year. So we do expect to make progress along that path that we talked about in our investor day in September.

In terms of book-to-bill, as we have mentioned, we would expect to see projects where we are already nominated as the preferred bidder hopefully turn to sanction this year, such as Bacalhau and Scarborough. We would also expect to see some of these awards in Brazil, such as the PLSVs and some of the Búzios or Mero portfolio turn to backlog for ourselves. We would expect to get a reasonable share of that this year.

The main question is really the timing of the big American awards. These are very, very large projects in the US with quite some ambitious timelines. Whether some of those will be awarded early Q1 next year or the back end of this year is on our minds at this point.

So, at the moment, directionally, we are heading towards where we want to be for the year. It will just be how those big Renewables projects in the US land and get sanctioned.

Vlad Sergievskii: Thanks very much, John. If I can squeeze another quick one here, you mentioned some small delay on BP's Mad Dog project. Would you be able to give us colour on the financial impact of this one in Q1 and whether there was any financial effect in Q2 as well, or not? Thank you.

John Evans: Sorry, just to correct you there, Vlad, it is BP Manuel which was the project that we had the issue with Seven Vega. We had to do the repairs on Vega post the storm damage, so that has been delayed. We have reallocated the delayed work to our other reelers, as I mentioned in my prepared remarks. We planned that around this year. So I do not believe there is a significant impact on that. There are some logistics issues that we have in terms of pulling that together but we are working, now and all the pipe layers are doing the jobs as we planned them for the year at the moment.

Vlad Sergievskii: Super, thanks very much.

Mark Wilson (Jefferies): Thank you for taking my question. I would just like to ask, on the book and turn side of the awards in Q1, there were very strong additions to revenue of this year of about $400 million. You liquiditated about $1 billion. You have $3.4 billion for the rest of the year. Given your comments on projects you are viewing, like Bacalhau and in Brazil, one would imagine the chance of adding additional book and turn [work] through 2021 is quite likely. I am therefore just wondering about the revenue guidance staying at higher than 2020 when you have, arguably, got visibility on quite significantly higher than that.

John Evans: I think, Mark, the way we look at it, we are reasonably okay for this year. We are comfortable we have the work to liquidate this year. Any of the new work that will come in will probably not have a material impact on this year, other than the projects we know are going to be in, such as Bacalhau and Scarborough, that we expect to be in this year. I think that all of this is for execution in later years. We therefore do not expect to see this year really pushing up much higher than this.

However, I think the speed at which the Brazil projects may get turned into awards is the only thing that is not clear to us at the moment. I think it has caught us, a little bit, as an industry, on the hop, with the amount of bids coming out but we are not planning on that at this stage.

Mark Wilson: In your answer there you seemed to suggest that awards in the rest of this year should not really [convert into incremental] backlog for this year.

John Evans: Yeah.

Mark Wilson: However, the Q1 awards, about half of that actually is falling as 2021 revenue, so I am just wondering why those Q1 awards were so short cycle for quite a large part but the rest of the year, in what you win, you will not see a decent short cycle revenue addition to this year?

John Evans: There is one project in there where we are buying some long lead materials which go through our books this year. There is some material to be ordered on those which has an impact on this year.

Mark Wilson: All right, very clear. Thank you very much.

John Evans: Thank you very much. We appreciate you joining. We know it is a very busy day today, with many companies reporting. However, thank you very much for your continued interest in Subsea 7 and your very probing questions. Hopefully we have answered them. If there are any further questions, please let Katherine know and we will try to give you an update on Q2. We look forward to talking to you then. Thanks a lot.

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